

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6685

BILL NUMBER: HB 1182

DATE PREPARED: Dec 11, 1998

BILL AMENDED:

SUBJECT: Retail tobacco products dealer license.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a person to obtain a retail tobacco products dealer license to sell a tobacco product at retail, sell a tobacco product in a vending machine, allow a vending machine containing a tobacco product to be located on the person's premises, or distribute a tobacco product to the public without charge. The Department of Revenue (DOR) must license dealers. The annual license fee is \$50.

A dealer must obtain a separate license for each place of business and each tobacco products vending machine location, with a maximum total fee of \$500. A person dealing in tobacco products without a license is to be fined up to \$1,000. The first violation by a licensed dealer of the licensing requirements or criminal laws relating to the sale of tobacco to minors shall result in a written warning; the second violation, a three-day license suspension; and the third violation, a three days to six months license suspension and a fine of up to \$1,000. The DOR must deposit all fees and fines in the State General Fund and submit an annual report to the Governor and the Legislative Council beginning July 1, 2000.

Effective Date: July 1, 1999.

Explanation of State Expenditures: The DOR will experience additional administrative expenses associated with issuing annual tobacco product retailer's licenses. The DOR must develop an application for the license as well as a license. Applicants must file with the DOR and pay to the DOR the \$50 license fee for each business location.

The DOR will need to hire additional staff to process applications, issue licenses, and upgrade computer systems to include information on tobacco products retailer's licenses. The DOR must also adopt rules to implement the above and submit an annual report to the Governor and the Legislative Council beginning July 1, 2000. Estimates on additional administrative expenses will be provided when they become available.

The funds and resources required for the above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. (The Department of Personnel manning table reported that the DOR had 105 vacancies as of 11/30/98.) Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. This bill does not contain an appropriation.

Explanation of State Revenues: The cost of the annual license is \$50. An estimated 100,000 tobacco products business locations exist statewide. (This estimate includes vending machine locations.) Based on the estimated number of locations, annual fee revenue could equal \$5 million per year (\$50 * 100,000). Revenue would be deposited in the State General Fund.

If the dealer does not renew the license in a timely manner, the dealer must pay a \$5 delinquent fee for each month that the dealer is delinquent. The dealer must also pay a \$15 fee for duplicates or replacements for lost or destroyed licenses. The DOR must impose a fine of up to \$1,000 upon a dealer who fails to obtain a license. Fees and fines collected are deposited in the State General Fund. The amount of revenue that would be generated by fines and fees is indeterminable but would be based on the number of violations as well as the number of dealers who do not renew in a timely manner or who wish replacements.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Don Okey, Alcoholic Beverage Commission, (317) 232-2463; Tom Conley, DOR, (317) 232-2107.